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CORPORATION FILE

ADDRESSOGRAPH-MULTIGRAPH
CORPORATION

ANNUAL REPORT FOR THE YEAR
ENDED DECEMBER THIRTY-FIRST

1932

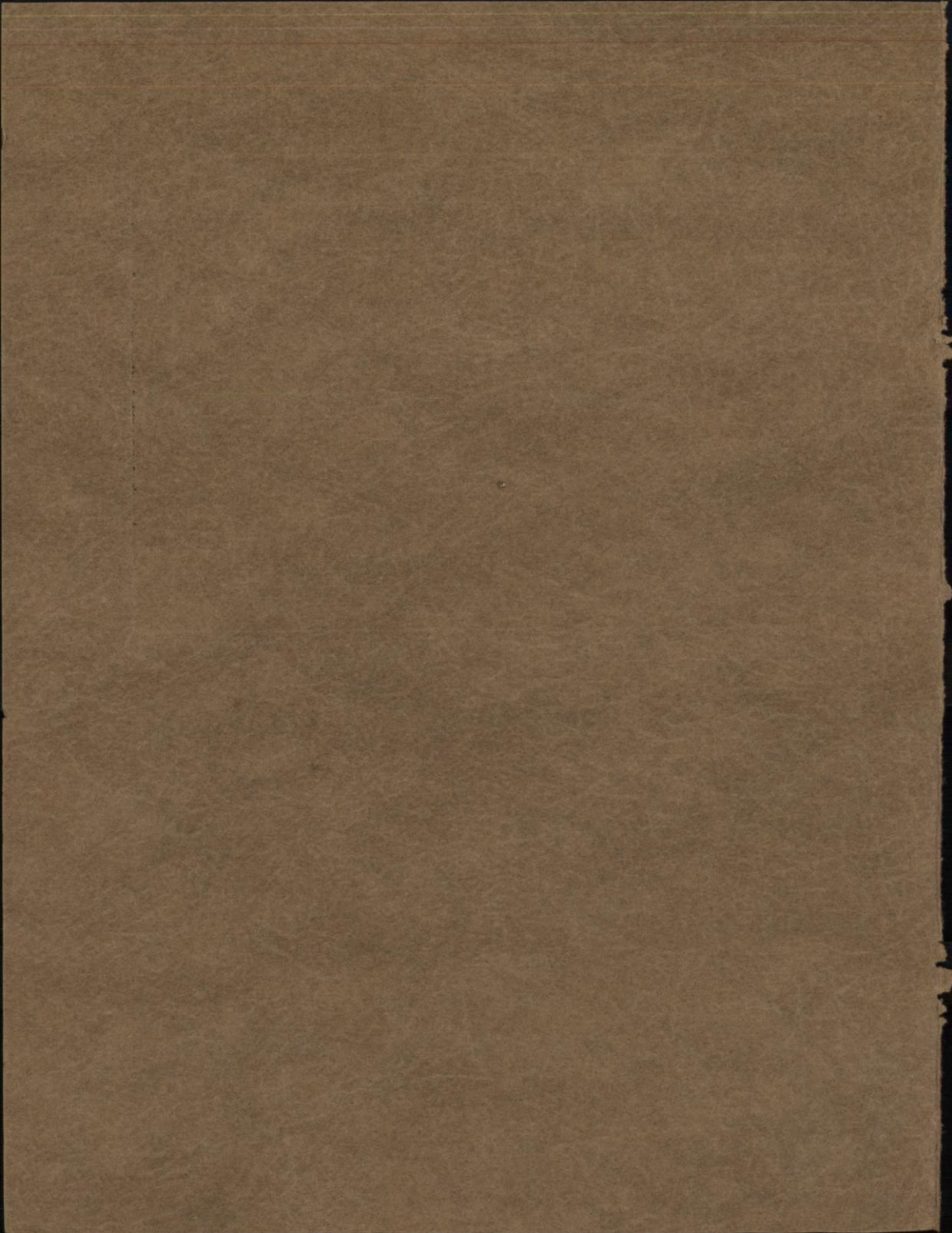
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ANNUAL REPORT

OF

Addressograph-Multigraph
Corporation



FOR THE YEAR ENDED
DECEMBER THIRTY-FIRST

1932

GENERAL OFFICES:

(EUCLID)

CLEVELAND, OHIO

Addressograph-Multigraph Corporation

BOARD OF DIRECTORS

Frank H. Woods, *Chairman*

Charles K. Arter	Perley Morse
Charles R. Battin	Henry C. Osborn
William R. Dawes	Edwin H. Parkhurst
Joseph S. Duncan	Joseph E. Rogers
Ernest J. Ferris	John B. Russell, Jr.
Edward B. Greene	Charles E. Steffey
Samuel M. Hastings	Thomas C. Woods

EXECUTIVE COMMITTEE

Henry C. Osborn, *Chairman*

Charles R. Battin	Joseph E. Rogers
Edward B. Greene	Frank H. Woods

OFFICERS

JOSEPH E. ROGERS	<i>President and General Manager</i>
HENRY C. OSBORN	<i>Vice-President</i>
PERLEY MORSE	<i>Vice-President</i>
CHARLES E. STEFFEY	<i>Vice-President</i>
CHARLES R. BATTIN	<i>Secretary and Treasurer</i>

Transfer Agent
CITY BANK FARMERS TRUST
COMPANY
New York

Registrar
GUARANTY TRUST COMPANY
New York

Addressograph-Multigraph Corporation

TO THE STOCKHOLDERS:

Your Directors submit herewith, Consolidated Income and Surplus Accounts for the year 1932, together with Consolidated Balance Sheet as of December 31, 1932, with the Auditors' certificate attached.

INCOME AND SURPLUS

The Net Profit from operations for the year, including Foreign Subsidiaries, after providing for full depreciation of operating plant and equipment (\$281,947.24); Development, Engineering and Patent expense (\$169,716.67); but before deducting income tax, was \$188,177.40.

After providing for estimated Income Tax and dividends on subsidiary company Preferred Stocks, but before providing for extraordinary charges and write-offs, the Net Profit was \$148,119.37.

As indicated in the Annual Report for the year 1931, the moving of all plant, facilities and personnel of the Addressograph and Multigraph organizations from Chicago and Cleveland respectively, to the new plant at Euclid was completed during the year under review. Following our usual accounting practice, all moving and other extraordinary charges and write-offs incident to the completion and occupation of the new plant have been made. From the Net Profit shown above, therefore, we have deducted indirect moving expenses of \$259,657.00; a proportion of the interest charges, \$18,116.32, on funds used for construction; and maintenance and taxes on idle plant of \$19,876.94. In addition, exchange loss of \$67,671.45 on funds remitted by foreign subsidiaries; and loss on sale of securities held \$5,129.92 have been written off. Furthermore, in view of general business conditions, including the banking interregnum, it was deemed advisable to set up a special reserve of \$150,000.00 against accounts receivable.

Deduction of the charges and special reserve referred to above, from the Net Profit for the year, resulted in a loss of \$372,332.26 and this amount has been charged to Earned Surplus.

In addition to the above, the following write-offs or reserves have been made:

The loss incurred on the abandonment of a building on leased property in London, England, amounting to \$41,715.95 was charged to Earned Surplus. This move was made advisable because of the heavy expenses in the maintenance of the old plant, and also by the necessity of providing increased plant accommodation, due to the consolidation of the Addressograph and Multigraph units in Great Britain. A reserve of \$18,500.00 was provided out of Earned Surplus to adjust employees' stock loans to the basis of the market values of the securities held as collateral.

The direct moving expenses, covered by specific shop orders, amounting to \$275,109.25 were charged against the Contingent Reserve which had previously been set aside for this purpose, leaving a balance of \$44,374.47 in this reserve.

The write-down incident to the adjustment, to a cost basis, of the appraisal values of Addressograph Company machinery and

equipment, transferred to the new plant (referred to in our 1931 Annual Report), and amounting to \$309,846.39 was charged to Capital Surplus. The adjustment of the Common stock held in the Treasury to a basis of the assigned value, and of certain assets acquired at the time of the merger resulted in further charges to Capital Surplus of \$44,377.95 and \$39,489.22 respectively, leaving a balance of \$378,901.24 in that account.

ENGINEERING DEVELOPMENT, NEW PRODUCTS AND PATENTS

Further consolidation of the engineering departments was effected during the year, resulting in substantial economies and greater efficiency.

The program of development referred to in the 1931 Annual Report was practically completed during the past year, and as a result, a number of new automatic and low priced smaller models with auxiliary attachments, and a complete new line of supplies have been placed in production and on sale. The addition of these models and supplies greatly extends the market for our products, particularly through increased applications in government departments, public utilities, insurance companies, financial institutions and manufacturing concerns, as well as present users and small and medium size establishments. The addition of the Drylith and Multilith processes of printing (new processes as simple as they are revolutionary), justifies considerable emphasis on their contribution to the Company's future.

A substantial volume of business for these new products has already been booked although complete demonstrating equipment has not as yet been furnished to all agencies, nor are all of the new models and supplies on a full production basis.

Anticipating the needs of the business world and broadening the application of our line of equipment is our constant endeavor.

Patent coverage throughout the world is being maintained on all inventions, and today, the Company has a greater number of live patents and applications than ever before in the history of our business. These new patents not only completely cover new machines and attachments but also the new line of supplies.

GENERAL

During the year under review, your Directors, by negotiations with the Set-O-Type Company of Dayton, Ohio, acquired certain valuable patents, machinery, tools, stock in trade, and good-will, pertaining to the business of manufacturing and sale of Set-O-Type machines and supplies, and all plant, facilities and stock incident thereto were moved to the new plant at Euclid. A new Company was organized (Set-O-Type Manufacturing Company) under the laws of the State of Delaware, to take over these assets. The products are now manufactured by your Corporation and sold through its subsidiaries.

The consideration for the purchase was fifteen thousand shares of Class A Stock of no par value of the new Subsidiary Company, redeemable on call at thirty dollars per share. The dividends on this stock, subsequent to July 1, 1934, are guaranteed by the Corporation at \$2.00 per annum.

The Corporation received the entire issue of fifteen thousand shares of Class B Common Stock of a stated value of three dollars per share in exchange for providing the necessary organization and facilities to manufacture and market the products, and also in consideration of the turning over to the new company, of the type business heretofore carried on by the Multigraph Company. The acquisition of this business provides a keyboard typesetting machine, accessories and supplies for use with Multigraph equipment, and provides a profitable addition to our line.

During the year under review, the program of physical consolidation commenced in 1931, was continued throughout the parent and subsidiary companies and the field organization in the United States and abroad, and, from time to time, as leases of the various sales agencies expire, further economical consolidations will be effected.

In line with similar actions being taken by many representative Corporations, your Directors have recommended, and the Stockholders will be requested to approve, at a Special Meeting which has been called for this purpose, the reduction of the Corporation's Capital Stock, from its present stated value of a fraction over \$11.18 per share, to a definite par value of \$10.00 per share. The reduction will provide a sum of \$897,870.00, which it is recommended be transferred to capital or paid in surplus, bringing that account up to a total of \$1,276,771.24. The amount will be used to provide reserves against the good-will arising through the acquisition of certain of the Corporation's subsidiaries, and also against the book values of the non-operating or idle properties. This will simplify the financial structure of the Corporation, and will permit the determination of property values more in accord with current levels.

Minority interests in Preferred Stocks of subsidiaries aggregating \$50,418.75 book value were acquired during the year. Neither the Corporation nor any of its subsidiaries have any funded debt.

CONCLUSION

Your Directors feel that taking the year as a whole and considering the serious disturbances in business caused by general conditions, as well as the moving of our plants, the consolidating of the two organizations and the development of many new products, the results accomplished during the year are reasonably satisfactory. However, by means of further economies in the manufacturing and distributing costs, as well as in the general and administrative expenses, a substantial proportion of the decline in gross profits due to the lower volume of sales, was offset, and additional economies and increased efficiency will be realized.

Your Directors gratefully acknowledge the faithful and cheerful co-operation extended by our customers and the entire organization in the face of the most trying business conditions on record, as well as the great inconvenience caused by the moving of our manufacturing and head office facilities during the year.

Respectfully submitted,

FRANK H. WOODS, *Chairman*

JOSEPH E. ROGERS, *President*

Addressograph-Mul

(A DELAWARE

and Subsidiary

CONSOLIDATED BALANCE

ASSETS

CURRENT ASSETS:

Cash	\$ 536,620.29	
Government and other marketable securities at cost (Dec. 31, 1932, market value)—\$69,700.00.....	69,172.11	
Notes and accounts receivable—less reserve	2,272,574.54	
Inventories—certified by the management as to quantities and condition, priced at cost, not in excess of market.....	2,457,179.70	\$ 5,335,546.64
DEFERRED CHARGES		155,823.73

DEFERRED CHARGES

INVESTMENTS AND ADVANCES—less reserves:

Agents' and Employees' stock notes and accounts	\$ 73,767.77	
Agents' advanced commissions.....	331,590.03	
Cash surrender value of life insurance policies	76,819.04	
Company's stock held in treasury—23,516 shares at assigned value (2,500 shares pledged per contra)	262,908.88	
Miscellaneous securities—at cost.....	4,545.97	749,631.69

PLANT AND EQUIPMENT:

Operating plant and equipment—stated on basis of original cost:		
Land	\$ 99,318.14	
Bldgs., machinery and equipment.....	\$4,515,087.18	
Rental machines	969,739.51	
	\$5,484,826.69	
Less—Reserve for depreciation.....	2,073,762.73	3,411,063.96
Leasehold improvements—less amortization	90,289.57	
Non-operating plant and equipment—at book value:		
Land	\$ 141,682.44	
Bldgs., machinery and equipment—less reserve for depreciation.....	897,051.32	1,038,733.76
		4,639,405.43

PATENTS, DEVELOPMENT EXPENSE, TRADE-MARKS AND GOOD-WILL—less amounts written off.....

3,702,265.55
\$14,582,673.04

St. Paul Corporation
CORPORATION)

Financial Statements

SHEET — DECEMBER 31, 1932

LIABILITIES

CURRENT LIABILITIES:

Bank loans -----	\$1,500,000.00	
Brokers' account—secured by 2,500 shares treasury stock, per contra	10,980.96	
Accounts payable -----	486,091.90	
Customers' credit balances -----	72,664.65	
Supply contract obligations -----	124,413.96	
Accrued charges -----	123,509.86	
Provision for Federal and foreign income taxes -----	51,408.62	\$ 2,369,069.95

PURCHASE MONEY OBLIGATIONS—ma-
turing subsequent to 1933-----

8,681.00

DEFERRED INCOME:

Unearned interest on installment contract accounts -----	12,043.94
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RESERVE FOR CONTINGENCIES AND IN-
SURANCE after deducting direct
moving expenses of \$275,109.25--

44,374.47

MINORITY INTERESTS IN STOCKS OF
SUBSIDIARY COMPANIES -----

818,499.11

CAPITAL STOCK AND SURPLUS:

Capital stock—	
Authorized 1,000,000 shares with- out par value.	
Issued 760,213 shares at assigned value -----	\$8,500,000.00
In treasury 23,516 shares (per contra)	

Surplus—

Paid-in surplus -----	\$ 378,901.24		
Earned surplus -----	2,451,103.33	2,830,004.57	11,330,004.57
			<u>\$14,582,673.04</u>

Addressograph-Multigraph Corporation and Subsidiary Companies

SUMMARY OF CONSOLIDATED INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1932

PROFITS ON SALES (less commissions and branch expenses) and other income, before deducting selling, advertising, general and administrative expenses, depreciation and special charges, and after segregating indirect cost of moving as estimated by management		\$2,372,611.07
DEDUCT:		
Selling, advertising, general and administrative expenses, before depreciation		1,732,769.76
Net profits, before depreciation and special charges		\$ 639,841.31
DEDUCT:		
Depreciation on operating plant	\$281,947.24	
Indirect cost of moving, as estimated by management	259,657.00	
Maintenance and taxes on idle plant (net)	19,876.94	
Engineering, laboratory, development and patent expenses, including annual amortization of amounts capitalized	169,716.67	
Loss on securities sold	5,129.92	
Interest paid (less \$28,193.81 capitalized during period of construction)	18,116.32	
Provision for income taxes	20,426.58	
Foreign exchange loss on remittances	67,671.45	
Dividends on preferred stocks held by minority interests	19,631.45	
Special reserve for receivables	150,000.00	1,012,173.57
Net loss, including indirect moving expenses		\$ 372,332.26

SUMMARY OF CONSOLIDATED EARNED SURPLUS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1932

BALANCE DECEMBER 31, 1931		\$3,040,286.79
DEDUCT:		
Net loss for the year, including indirect moving expenses	\$372,332.26	
Dividends paid April 10, 1932	187,108.50	
Loss on abandonment of building by foreign subsidiary	41,715.95	
Adjustment of loans to basis of collateral value	18,500.00	619,656.71
		\$2,420,630.08
ADD:		
Adjustment of exchange loss on conversion of net current assets of foreign subsidiaries	\$ 6,564.65	
Refund and adjustment of prior years' Federal income taxes	23,908.60	30,473.25
Balance, December 31, 1932		\$2,451,103.33

Addressograph-Multigraph Corporation and Subsidiary Companies

SUMMARY OF PAID-IN SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1932

BALANCE, DECEMBER 31, 1931-----		\$772,614.80
DEDUCT:		
Write-down of certain properties to basis of original cost, etc.-----	\$309,846.39	
Write-down of treasury stock to assigned value-----	44,377.95	
Adjustment of assets acquired in prior years-----	39,489.22	393,713.56
Balance, December 31, 1932-----		<u>\$378,901.24</u>

SUBSIDIARY COMPANIES' CAPITAL STOCKS HELD BY MINORITY INTERESTS—DECEMBER 31, 1932

	No. of Shares	Amount
SPEEDAUMAT MANUFACTURING COMPANY-----	3,210	\$208,650.00
Class A stock, no par value; cumulative dividend of \$3.50 per annum guaranteed by parent company—subject to repurchase upon demand by holders up to 1,000 shares each year at \$50.00 per share. Stated value \$65.00 per share.		
SET-O-TYPE MANUFACTURING COMPANY-----	15,000	450,000.00
Class A stock, no par value; non-cumulative dividend of \$2.00 per annum guaranteed by parent company subsequent to July 1, 1934. Stated value \$30.00 per share.		
Surplus allocated thereto-----		60,000.00
ADDRESSOGRAPH-MULTIGRAPH OF CANADA, LIMITED		
6% preferred stock of \$100 par value per share-----	490	49,000.00
ADDRESSOGRAPH-MULTIGRAPH S. A.		
Class B shares of Fr. 500 each; 6% non-cumulative dividends guaranteed by parent company-----	550	50,097.50
Profit shares of Fr. 500 each; Fr. 30 non-cumulative dividends guaranteed by parent company-----	2,000	
Unpaid dividends at December 31, 1932-----		751.61
Balance, December 31, 1932-----		<u>\$818,499.11</u>

ARTHUR ANDERSEN & CO.

ACCOUNTANTS AND AUDITORS

ONE LA SALLE STREET BUILDING

CHICAGO

To the Board of Directors of

ADDRESSOGRAPH-MULTIGRAPH CORPORATION:

We have examined the accounts of ADDRESSOGRAPH-MULTIGRAPH CORPORATION (a Delaware corporation) and its subsidiaries for the year ended December 31, 1932, and, in our opinion, the accompanying balance sheet and summaries of income and surplus accounts fairly present the consolidated financial position of the Corporation and its subsidiary companies at December 31, 1932, and the results of their operations and changes in surplus accounts for the year ended that date.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,

March 24, 1933.

The present Corporate set-up including the new subsidiary is as follows:

* ADDRESSOGRAPH-MULTIGRAPH CORPORATION

† Addressograph Company

† Multigraph Company

† Speedumat Manufacturing Company

† Set-O-Type Manufacturing Company

‡ Addressograph-Multigraph of Canada, Limited, Toronto

‡ Addressograph-Multigraph Limited, London, England

‡ Addressograph-Multigraph G.m.b.H., Berlin, Germany

‡ Addressograph-Multigraph S. A., Paris, France

* Parent and Manufacturing Unit in U. S. A.

† Sales Distributing Units in U. S. A.

‡ Manufacturing and Distributing Units in the foreign countries named

Printed on the "Multilith" in the U. S. A.





